

**Internal Revenue Service**

District  
Director



**Department of the Treasury**

P.O. Box 2508, Cincinnati, OH 45201

Person to Contact:

Telephone Number:

Refer Reply to:

Date:

APR 18 1986

*no response rec'd  
5-22-86*

Dear Sir or Madam:

- We have considered your application for recognition of exemption from Federal income tax under the provisions of section 501(c)(3) of the Internal Revenue Code of 1954 and its applicable Income Tax Regulations. Based on the available information, we have determined that you do not qualify for the reasons set forth on Enclosure I.

Consideration was given to whether you qualify for exemption under other subsections of section 501(c) of the Code and we have concluded that you do not.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return on Form 1041 if you are a trust or Form 1120 if you are a corporation or an unincorporated association. Contributions to you are not deductible under section 170 of the Code.

If you are in agreement with our proposed denial, please sign and return one copy of the enclosed Form 6018, Consent to Proposed Adverse Action.

You have the right to protest this proposed determination if you believe that it is incorrect. To protest, you should submit a written appeal giving the facts, law and other information to support your position as explained in the enclosed Publication 892 (Rev. 7-83), "Exempt Organizations Appeal Procedures for Unagreed Issues". The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a hearing with a member of the office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office, or, if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he or she must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in Section 601.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that:

A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service.

If we do not hear from you within the time specified, this will become our final determination. In that event, appropriate State officials will be notified of this action in accordance with the provisions of section 6104( ) of the Code.

Sincerely yours,

/s/  
by

  
  
District Director

Enclosures: 5

ENCLOSURE I

[REDACTED]

The information submitted with your application indicates that [REDACTED] was incorporated [REDACTED] under the laws of the State of [REDACTED] for the following purposes:

1. To have and to exercise each and every power, right and privilege which corporations organized under the [REDACTED] Not-For-Profit Corporation Act of [REDACTED], as amended, may now or hereafter have and exercise.
2. This association does not contemplate pecuniary gain or profit to the members thereof, and the specific purposes for which it is formed are to provide the construction, maintenance, repair, upkeep, preservation, replacement, control, management and insurance of certain property and facilities located within a tract of real estate in [REDACTED] County...

Section 501(c)(3) of the Code provides, in part, for the exemption from Federal income tax of organizations organized and operated exclusively for charitable, religious or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(a)(1) of the Regulations states that in order to qualify under section 501(c)(3) of the Code, an organization must be both organized and operated exclusively for one or more exempt purposes. If an organization fails to meet either the organizational or operational test, it is not exempt.

Section 1.501(c)(3)-1(a)(2) of the Regulations states that the term "exempt purpose or purposes", means any purpose or purposes specified in section 501(c)(3) of the Code.

Section 1.501(c)(3)-1(b)(1)(i) of the Regulations states that an organization is organized exclusively for one or more exempt purposes only if its articles of organization:

- (a) Limit the purposes of such organization to one or more exempt purposes; and
- (b) Do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes.

Section 1.501(c)(3)-1(c)(1) of the Regulations states that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3) of the Code. An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Section 1.501(c)(3)-1(d)(1)(ii) of the Regulations states that an organization is not operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. It must not be operated for the benefit of designated individuals or the persons who created it.

You were organized to provide for the construction, maintenance, improvement, repair, upkeep, preservation, replacement, control, management and insurance of property and facilities owned by your members. Since you are not organized exclusively for charitable, religious or educational purposes, you do not meet the organizational tests required per section 501(c)(3) of the Code.

The bylaws of [REDACTED] were adopted simultaneously with a Declaration of Condominium for [REDACTED]. The declaration provides for the maintenance, upkeep, repair and replacement of common areas. This activity includes mowing, landscaping and painting of building exteriors and walls. The activity also includes procurement of public liability, property damage, workmen's compensation and other insurance for the benefit of unit owners as part of common expenses.

These activities benefit the members of your organization rather than the general public. Because these activities serve your membership rather than the general public, you do not meet the operational tests required per section 501(c)(3) of the Code.

Accordingly, we have concluded that you do not qualify for exemption from Federal income tax under section 501(c)(3) of the Code, and contributions to you are not deductible by donors under section 170 of the Code.

However, it is our opinion that your organization is the type described in section 528 and you may elect to file under section 528 to receive certain tax benefits which, in effect, permits the exclusion of exempt function income. The election by a homeowners association to file under section 528 is to be made by filing Form 1120-H, U.S. Income Tax Return for Homeowners Associations.